

**Top Secret**

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Thursday 20 July 1978

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National Intelligence Daily Cable for Thursday, 20 July 1978.

The NID Cable is for the purpose of informing senior US officials.

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DJIBOUTI-ETHIOPIA-SOMALIA

*Ethiopia and Djibouti are increasing their military cooperation as part of Djibouti President Gouled's recent decision to favor relations with Ethiopia at the expense of formerly close ties with Somalia. Gouled's successful effort to improve relations with Ethiopia has antagonized Somalia--which has longstanding claims to Djibouti--and will probably also offend neighboring Arab states that have worked to keep Djibouti free of Ethiopian and Soviet control.*

Ethiopian forces last week began intensive operations against Afar tribesmen, led by Sultan Ali Mirah, who have waged sporadic guerrilla warfare against the Ethiopian regime for three years. The Afar operations have been limited but do threaten the vital highway linking Addis Ababa to the port of Assab, which handles all of Ethiopia's sea-delivered military equipment and most of its foreign trade. The Ethiopians may have feared that the recent delivery of more Somali arms to the Afars presaged an upsurge in Afar guerrilla activity.

The Djibouti Government is apparently cooperating closely with the Ethiopian military effort. Some civilians have been removed from the Djibouti side of the border, and Djibouti security forces have apparently been instructed to ignore Ethiopian incursions across the border to seize Afar arms caches.

Djibouti is also cooperating with Ethiopia against the Western Somali Liberation Front--the principal Somali-supported guerrilla group operating in Ethiopia. Gouled has promised to use his security forces to guard the Addis Ababa-Djibouti railroad against guerrilla attacks inside his country. He has delivered a strong protest to Mogadishu condemning Front attacks against the railroad inside Ethiopia and warning the Somalis against moving Front forces across Djibouti.

Gouled's primary objective is to maintain Djibouti's independence and to ensure the operation of the railroad, the mainstay of Djibouti's economy. He has apparently concluded that in light of Somalia's defeat in the Ogaden this year Ethiopia must be recognized as the dominant power in the Horn and that closer ties to Addis Ababa better serve Djibouti's interests.

# CHINA-VIETNAM: Negotiations

*[redacted] A note from the Chinese Foreign Ministry to Vietnam yesterday called for negotiations at the vice-ministerial level on the issue of ethnic Chinese in Vietnam. The talks, proposed for early August, could take place either in Hanoi or in Peking. The Chinese suggest that the talks replace at least temporarily the fruitless, month-long negotiations between the Chinese Embassy in Hanoi and lower ranking Vietnamese officials. Hanoi will probably agree to the talks but has given no sign of altering the firm line it has taken up to now with the Chinese.*

*[redacted] By suggesting talks at a higher level, the Chinese apparently hope to put pressure on Hanoi to respond to Chinese conditions for repatriation of the overseas Chinese. They may hope that, by broadening the negotiations to embrace the status of Chinese in Vietnam, they can temporarily ease the refugee burden without losing face.*

*[redacted] China may also hope that the new talks will enable it to withdraw its two ships now waiting off Vietnam to undertake the evacuation. Hanoi has refused to accept Peking's characterization of the evacuees as "victimized" and has refused to allow the ships into Vietnamese ports.*

*[redacted] The note contains no concessions from China. It blames the current stalemate on Vietnam and repeats use of the words "victimized Chinese." A Chinese news service commentary published the same day as the note, while not as vituperative as other recent Chinese propaganda, similarly contains no concessions to Vietnam and strives to make China appear the aggrieved, but reasonable, party*

25X1 [ ] Although Vietnamese Vice Foreign Minister Phan Hien traveled repeatedly to Peking before the end of March, no Sino-Vietnamese discussions at that level are known to have taken place since then. [ ]

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#### SPAIN: Basque Disorders

25X1 [ ] *Spain's Basque provinces are quiet again after the recent disturbances. The Spanish Government is taking steps to mollify the Basques and to prevent the situations from upsetting the legislature's work on the new constitution's provisions for regional autonomy.*

25X1 [ ] The government launched an immediate investigation of police and governmental errors in dealing with the demonstrations that led to general disorder throughout the Basque country last week. As a result, the civil governor of Navarra Province was dismissed, and the commanders of the two police units alleged to have killed two persons were fired as was the captain of a police unit that went on a looting rampage.

25X1 [ ] Interior Minister Martin Villa visited the region soon after the violence subsided. Demonstrating Madrid's awareness of the deep-seated hostility between the Basques and the national police forces, he announced that the government is considering formation of a Basque security force to police the troubled area.

25X1 [ ] The government also approved a royal decree transferring to the Basque National Council a wide range of powers to regulate agriculture, industry, commerce, and town planning, but noted defensively that the decree was the result of three months of negotiations with Basque representatives.

25X1 [ ] Police excesses during the demonstrations will make it difficult for the moderate Basque Nationalist Party to agree to the limited regional autonomy that the government believes is all it can offer; the Basque Nationalists make up the most important regional party in the Basque country, but they feel increasingly threatened by more radical Basque groups.

25X1 [ ] The violence does, however, serve as a reminder to the Basques and to the government of what might happen should they fail to reach a compromise. The key question is whether the

government can make meaningful concessions to Basque demands for autonomy without opening itself to charges from the right and the military that it is jeopardizing the unity of the state.

25X1 [ ] The Basque disorders, coming just as the legislature is about to consider autonomy provisions in the constitution, reportedly led to an agreement between leaders of the Basque Nationalists and the Socialist Party on terms for transferring additional authority to the regions.

25X1 [ ] This, and the recent violence, might make the govern- 25X1  
ment more receptive to Basque demands during meetings this week. Without support from the Basque Nationalist Party, a consensus on the new constitution would not be possible. [ ]

#### BOLIVIA: Election Invalidated

25X1 [ ] *Press reporting indicates that last week's hotly debated presidential election in Bolivia has been invalidated at the request of the government's candidate, Juan Pereda.*

25X1 [ ] Despite the regime's heavyhanded efforts on behalf of Pereda, the outcome was still uncertain when the vote count was suspended earlier this week. Pereda may thus have seen his move to void the election as the best way to extricate the government from the almost untenable position created by its blatant rigging of the vote.

25X1 [ ] There is great potential for further confusion and deterioration of the political situation in La Paz. President Banzer, for example, told the press yesterday that he would not continue in office in the event the electoral court ordered new elections. Banzer said that he would turn over the government to the armed forces, which would analyze the situation and decide what to do next.

25X1 [ ] Outraged opposition candidates had denounced the election and threatened to join forces in working against Pereda. Because the other contenders collectively have such a substantial following, it was clear to Pereda and the Army that he would have an exceedingly difficult task in governing the country.

25X1 [ ] Thus the regime was faced with throwing out fraudulent ballots--and risking the election of a member of the opposition-- 25X1 or imposing a distasteful Pereda "victory." Under these circumstances, many officers may have come to view a new election as the only reasonably graceful solution. [ ]

# ISRAEL: Fighter Aircraft Problems

25X1 [ ] *//Israel's effort to produce modern fighter aircraft remains trouble-prone. High costs and technological shortcomings may prohibit further development of a follow-on fighter to the Kfir--a program of economic as well as military significance. The Kfir, in service since 1975, continues to be plagued by technical problems.//*

25X1 [ ] *//The follow-on fighter, called the Arye, is still in the design stage, but Israeli officials apparently believe that it will not have qualities better than those offered by the US-built F-16, which Israel will start receiving in 1981. Like the Kfir, the Arye would have to be powered by a foreign engine, most likely of US origin. This could restrict the aircraft's export potential, without which the Arye production run would be shorter and costs per aircraft higher.//*

25X1 [ ] *//The US defense attache believes that the Arye project will be ended if the government cannot obtain outside funding, either from the US or from a Kfir sale abroad. Canceling the project without a replacement would pose serious economic problems for the Israeli aircraft industry. Work on the Kfir will decrease gradually over the next few years as the domestic requirement is filled.//*

25X1 [ ] *//At least seven Kfirs have been lost in accidents since early 1975, and several more have been damaged--many because of engine problems. Some engines apparently overheat and, [ ] the Israelis continue to have difficulties with some locally manufactured parts for the Kfir's US-designed engine. [ ]*



## CHINA: Pragmatic Policies

25X1 [ ] Signs of opposition to some of the pragmatic policies adopted in China after the ouster of the four radical Politburo members in 1976 have surfaced in recent weeks. The implementation of the new policies has not been affected, nor do the "opponents" seem strong or unified enough to mount a serious challenge anytime soon. Nevertheless, it is clear that some people in China--possibly including senior party officials--view the new pragmatism with considerable skepticism.

25X1 [ ] At issue are the priority given economic development, the reintroduction of strict academic standards in schools, the reinstatement of scientists and other intellectuals purged as politically unreliable in the mid-1960s, and the greatly liberalized approach to foreign trade. Some footdragging no doubt is based on fear that these policies will be overturned in another political upheaval and that those who carried them out will be attacked, as they were during the Cultural Revolution.

25X1 [ ] //In other cases, however, it is clear that some people regard the new policies as wrong. In response to apparent *sub rosa* accusations, the party newspaper *People's Daily* asserted defensively that the current emphasis on economic modernization will not lead to "revisionism" and defended increased foreign trade as "patriotic" rather than "traitorous." The media have candidly admitted, moreover, that the renewed stiff criteria for enrollment in universities were hotly debated last spring. Students who failed last year's university entrance examination are reported to have put up a poster attacking Vice Premier Teng Hsiao-ping, who is regarded as the architect of most of these pragmatic policies.//

25X1 [ ] In addition to those who are afraid to carry out, or who oppose, the new policies, there is doubtless a body of opinion that views the new policies as necessary but believes China is moving too fast and too far. //Some Chinese teachers reportedly regard the new education policies as "justified" but admit they are "elitist" in nature--precisely the criticism leveled at them during the Cultural Revolution.// *People's Daily* has acknowledged that some people fear that the reinstatement of intellectuals regardless of their political background "might be carrying things too far."

25X1 [ ] Judging from his speech to a science conference last winter, party Chairman Hua Kuo-feng could be one of those advocating a more cautious approach, but it is not clear to what extent, if any, top party officials may disagree fundamentally over policy questions. Given the speed with which the new policies have been implemented, it seems unlikely they have encountered serious high-level opposition. Still, it is possible that those who have raised behind-the-scenes objections to these policies believe they have the support of at least some senior officials.

25X1 [ ] The policies of the now-discredited leftists, who put more stock in political enthusiasm than in ability, remain attractive to many in China who lack particular skills but hoped to find upward mobility through political activism. Such people may eventually regain some political strength if they can find a spokesman in the upper echelons of the party and if the current pragmatic programs do not yield significant tangible results before the death of Teng Hsiao-ping. [ ]

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IRAQ: National Day Celebrations

25X1 [ ] *The current tensions in Iraq's relations with the USSR were reflected in speeches and interviews by Iraqi leaders marking the 10th anniversary this week of the Baathist regime. President Bakr and strongman Saddam Husayn stressed their pursuit of an independent and nonaligned foreign policy and called for noninterference in Iraq's internal affairs. The Iraqi leaders gave no hint of interest in improving relations with the US.*

25X1 [ ] Relations between Iraq and the USSR deteriorated this spring as a result of differences over the Horn of Africa where Iraq supports the Eritrean insurgents fighting the Soviet-backed Ethiopian regime. The Iraqis are also concerned about the Soviet role in the recent coups in Afghanistan and South Yemen. The Soviets are upset by Iraq's execution of at least 21 Iraqi Communists in the armed forces for allegedly conspiring to overthrow the government.

25X1 [ ] In a *Newsweek* interview published this week, Saddam Husayn declared that the Soviets "won't be satisfied until the whole world becomes Communist," a warning he has made several

times in the past three months. The two leaders have made it clear, however, that Iraq has no intention of disrupting relations with the USSR, their chief military supplier.

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[ ] A Soviet Foreign Ministry official acknowledged privately last Friday that relations with Iraq are "delicate," and Soviet press commentary on Iraq's national day reiterated Soviet concern about Baathist treatment of the Iraqi Communist Party.

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[ ] *Pravda's* reference on Friday to the "difficulties" in Iraq's Baath-Communist national front suggests that Moscow expects continued Iraqi efforts to limit the political role of the Communist Party in Baghdad. Soviet broadcasts last week cautioned Baghdad against "complicating" relations between the Baathists and the Communists and suggested that further Baathist repression could prompt the Communists to withdraw from the front.

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[ ] The Iraqi statements suggest Iraq has no interest now in improving relations with the US. Saddam Husayn acknowledged in his *Newsweek* interview that Iraq has noted with interest President Carter's Middle Eastern policy statements but that Iraq "is still waiting for deeds and that can only mean Israeli withdrawal from the occupied territories."

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[ ] Other remarks by Bakr and Saddam Husayn reaffirmed the thrust of Iraq's Middle Eastern policy. They reiterated their basic opposition to negotiations with Israel--and accused Egypt and Syria of following "capitulationist policies." They also denounced those states trying to keep Iraq isolated, presumably a reference to Syrian attempts to block recent Iraqi moves to improve relations with Saudi Arabia and the Gulf states. The Iraqi leaders also charged Syria with encouraging sectarian warfare in Lebanon. [ ]

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#### BRIEFS

##### Saudi Arabia

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[ ] One--and possibly two--US citizens convicted of violating Saudi Arabia's strict ban on alcohol may be flogged on Saturday. The recent flogging of two British citizens resulted in a loud outcry in the London press.

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[REDACTED] This form of punishment traditionally has not been applied to non-Muslims. In recent months, however, the attitudes of the religious establishment and the royal family has hardened as a result of the growing visibility of Western influences on Saudi society. Arguments that flogging would have a negative impact on US public opinion have not carried much weight with the Minister of Interior, who makes policy on such matters unless overruled by the King.

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[REDACTED] As practiced in Saudi Arabia, flogging does not cause serious physical injury. The Saudi authorities gave the Americans the choice either to receive the floggings and leave the country or to remain indefinitely in Saudi Arabia. One of the Americans involved told US officials he has chosen to be flogged Saturday and is trying to convince the other US citizen to do the same. [REDACTED]

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Pakistan

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[REDACTED] A shortfall in Pakistan's wheat crop is likely to require between 1.5 and 2 million tons of grain imports during the crop year that began this month--compared with about 1 million tons in the previous year. About 70 percent of the imports last year were of US origin, some at subsidized prices.

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[REDACTED] The US agricultural attache estimates the current wheat crop at 8 million tons, roughly 9 percent below the last harvest. Weather-related plant diseases and the use of poor quality seed played a role, but shortsighted government agricultural policies--which resulted in a reduction of sown acreage--are primarily responsible. [REDACTED]

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China

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[REDACTED] China is taking another step toward resuming its participation in international research programs after a 20-year hiatus. The World Meteorological Organization has announced that China will contribute to its year-long Global Atmospheric Research Program during 1979. [REDACTED]

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[redacted] China has been a member of the World Meteorological Organization for seven years. Its decision to participate at this time reflects the steady increase in the expertise of Chinese meteorologists and their growing competence in the area of meteorology--to which Peking gives high priority. [redacted]

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